

Message Text

CONFIDENTIAL

PAGE 01 TEGUCI 01124 251428Z

43

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 AGR-05 OMB-01 TRSE-00

AID-05 SIL-01 LAB-04 SP-02 SS-15 NSC-05 STR-04 OPIC-03

PA-01 PRS-01 USIA-06 CIAE-00 INR-07 NSAE-00 L-02 /080 W

----- 089588

R 242145Z MAR 75

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 9557

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

C O N F I D E N T I A L 1124

E.O. 11652: GDS

TAGS: EAGR, ETRD, ELAB, HO

SUBJECT: STANDARD FRUIT: CONVERSATION WITH LABMIN GAUTAMA FONSECA

REF: TEGUCIGALPA 1099

1. IN LUNCHEON MEETING WITH DCM AND LABOFF MARCH 21
LABMIN FONSECA CONFIRMED INFORMATION GIVEN TO ECONOFF BY
STANDARD OFFICIALS (SEE REFTEL), I.E., THERE WILL BE NO
MIXED ENTERPRISE ARRANGEMENT FOR STANDARD'S ISLETAS AREA,
LAYOFFS WILL EVENTUALLY TOTAL APPROXIMATELY 2,000 (OF
5,000 TOTAL) AND THE COMPANY WILL LOSE A GREAT AMOUNT O
LAND UNDER THE TERMS OF THE GOH AGRARIAN REFORM LAW.

2. AFTER PROVIDING SUMMARY OF NEGOTIATIONS BETWEEN THE
GOH AND STANDARD FRUIT SINCE THE HURRICANE (SEPTEMBER,
1974), FONSECA SAID THAT HE VIEWED ALL COMPANY ACTIONS AS
BEING AIMED BASICALLY AT PRESSURING THE GOH TO BACK DOWN
ON THE BANANA TAX. HE ADDED THAT HE THINKS THE COMPANY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TEGUCI 01124 251428Z

ACTIONS INDICATE THAT THEY ASSUMED SUCCESS.

3. ACCORDING TO FONSECA, HE AND THE GOH BANANA COMMISSION MET WITH CHIEF OF STATE LOPEZ MARCH 17 TO DISCUSS THE POSSIBILITY OF REPEALING OR REDUCING THE BANANA TAX. AT THAT MEETING IT WAS DECIDED THAT FOR POLITICAL REASONS THE GOH MUST CONTINUE TO COLLECT THE TAX AT ITS PRESENT LEVEL. THOSE PRESENT TED THE CURRENT STRONG DOMESTIC OPPOSITION TO THE NEW AGRARIAN REFORM LAW AND THE GOH'S RESOLVE THAT THE LAW NOT BE GREATLY MODIFIED. IT WAS AGREED THAT REDUCING OR REPEALING THE BANANA TAX IN THE FACE OF PRESSURE FROM A FOREIGN COMPANY WHILE REFUSING TO BEND TO DOMESTIC PRESSURE ON THE AGRARIAN REFORM LAW WAS POLITICALLY UNACCEPTABLE.

WKM FONSECA LAMENTED THAT STANDARD HAD TREATED THE QUESTION WITH SUCH A "LACK OF SUBTLETY," AND CONTRASTED ITS ACTIONS TO THOSE OF UNITED BRANDS. FONSECA SAID THAT OF ALL THE COUNTRIES ORIGINALLY AGREEING TO COLLECT THE TAX ONLY HONDURAS IS CURRENTLY COLLECTING ACCORDING TO THE TERMS OF THE AGREEMENT. THIS FACT ALONE, HE SAID, CAUSES THE GOH TO WANT TO MAKE SOME CHANGE. HE REGRETS THAT STANDARD'S TOO PUBLIC PRESSURE MAKES THE CHANGE IMPOSSIBLE NOW. HE SAID THAT SOMETIME IN THE FUTRE, WHEN THE GOH COULD CREDIT OTHER FACTORS FOR THE DECISION, THE TAX WILL BE AMENDED OR REPEALED.

5. THE MINISTER EXPRESSED GREAT PUZZLEMENT AT STANDARD'S ATTITUDE AND QUESTIONED WHY THE COMPANY SHOULD BE UNWILLING TO REINVEST IN THE ISLETAS AREA WHILE DECIDING TO FIRE APPROXIMATELY 40 PERCENT OF ITS WORKFORCE AND PAY A GREAT AMOUNT (OVER \$2.5 MILLION) IN SEVERANCE PAY TO THE DIS-MISSED WORKERS, HE THINKS THAT BY SHUTTING DOWN AN AREA REPRESENTING 30-40 PERCENT OF THE COMPANY'S PRODUCTION WILL CAUSE THE COMPANY TO LOSE ECONOMIES OF SCALE AND RESULT IN HIGHER UNIT COSTS OF PRODUCTION.

6. ACCORDING TO FONSECA THE GOH INTENDS TO FORM THE IDLED ISLETAS WORKERS INTO COOPERATIVES UNDER THE TERMS OF THE AGRARIAN REFORM LAW. STANDARD HAS AGREED IN PRINCIPLE TO ENTER INTO A PURCHASING ARRANGEMENTZPIF THESE COOPERATIVES
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TEGUCI 01124 251428Z

BECOME BANANA PRODUCERS.

7. COMMENT: FONSECA DESCRIBED THE SITUATION WITH STANDARD "MORE IN SORROW THAN IN ANGER" AND THE TONE OF HPG COMMENTS INDICATED THAT THE FUTURE ACTIONS OF THE GOH WILL BE BASED UPON A REASONABLE APPRAISAL OF HOW TO MINIMIZE THE ECONOMIC CONSEQUENCES OF THE COMPANY WITHDRAWAL FROM THE ISLETAS AREA RATHER THAN GOH RETALIATION AGAINST THE COMPANY.

SANCHEZ

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUSINESS FIRMS, JOINT VENTURES, BANANAS, LAND NATIONALIZATION, NEGOTIATIONS, TAXES, LAND REFORMS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TEGUCI01124
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750104-0237
From: TEGUCIGALPA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750320/aaaaasdo.tel
Line Count: 116
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 TEGUCIGALPA 1099
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2003 by ShawDG>; APPROVED <17 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: STANDARD FRUIT: CONVERSATION WITH LABMIN GAUTAMA FONSECA
TAGS: EAGR, ETRD, ELAB, HO, US, STANDARD FRUIT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006